



## **Answers to Questions for the Record Following a Hearing Conducted by the House Committee on the Budget on CBO Oversight: Organizational and Operational Structure**

*On January 30, 2018, the House Committee on the Budget convened a hearing at which Keith Hall, Director of the Congressional Budget Office, testified about CBO's work in 2017 and its future plans.<sup>1</sup> After the hearing, Chairman Womack and Congressman Palmer submitted questions for the record. This document provides CBO's answers. It is available at [www.cbo.gov/publication/53863](http://www.cbo.gov/publication/53863).*

### **Chairman Womack**

**Question.** Are there any functions that these divisions are not sufficiently equipped to handle now?

**Answer.** CBO maintains a flat organizational structure that fosters collaboration and teamwork across and within divisions. For example, the analytic reports produced by analysts in several divisions rely on the economic projections prepared by the Macroeconomic Analysis Division and on the cost estimates and budget projections prepared by the Budget Analysis and Tax Analysis Divisions. Similarly, the budget projections and cost estimates prepared by the Budget Analysis and Tax Analysis Divisions draw on models and analyses produced by other divisions. The overall structure also allows for multiple levels of review by managers with a wide range of perspectives and expertise.

Most of CBO's 235 staff are economists or public policy analysts with advanced degrees, but the agency also employs lawyers, information technology specialists, editors, and people with other areas of expertise that contribute to the agency's mission. CBO's analysts have a broad range of skills and expertise and routinely seek input from outside experts to assist with and expedite their analyses. However, the Congress's increased interest in responsiveness and transparency has led the agency to request additional resources to hire more employees. Specifically, the agency has submitted a budget request to hire 10 new staff members in 2019, with the aim of hiring a total of 20 new staff by 2021. The ultimate objective of increasing the number of staff members is to bolster the agency's responsiveness to the Congress and to enhance efforts to ensure transparency.

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1. See testimony of Keith Hall, Director, Congressional Budget Office, before the House Committee on the Budget, *The Congressional Budget Office's Work in 2017 and Plans for the Future* (January 30, 2018), [www.cbo.gov/publication/53501](http://www.cbo.gov/publication/53501).

**Question.** How does CBO interact with the Joint Committee on Taxation? Which divisions are responsible for that interaction?

**Answer.** Many CBO staff members often work closely and collaboratively with the staff of the Joint Committee on Taxation (JCT). Consistent with the Congressional Budget Act of 1974, CBO relies on estimates provided by JCT when preparing cost estimates that reflect the effects of changes to tax laws. JCT estimates the effects of such changes relative to CBO's baseline projections of tax receipts. To facilitate such analyses, CBO provides JCT detailed information about its economic forecast and revenue projections. On topics such as health care, immigration, and housing finance, where legislative proposals often affect both tax receipts and spending programs, CBO and JCT work together to evaluate the impacts of the legislative changes.

JCT also plays a key role in the preparation of other analysis produced by CBO. In particular, it provides estimates of the revenue effects of various alternative tax policies that are included in CBO's annual reports on the budget and economic outlook, as well as in the agency's budget options reports; and it provides estimates of the revenue effects of the tax proposals contained in CBO's analysis of the President's budget.

**Question.** How are conflicts and differing professional opinions across divisions managed?

**Answer.** CBO welcomes a wide range of views among its staff and encourages analysts involved in the preparation of cost estimates to express their opinions and offer suggestions. The agency is sensitive to falling into "group think," so debate is encouraged. Within the time constraints facing CBO, staff members try to allow enough time to work through differing viewpoints about approaches to analyzing an issue.

During discussions about scoring legislative proposals, all viewpoints are heard. Management does not make distinctions between junior or senior analysts or between analysts and managers. Everyone has a seat at the table, and everyone has an opportunity to have a say. Staff members generally strive to reach consensus and usually do, but ultimately it is the director who makes the final decision when differing viewpoints cannot be reconciled.

**Question.** What are the challenges you have identified with the current structure of the agency?

**Answer.** In 2018 and 2019, CBO will continue to provide cost estimates and other analyses to assist the Congress in making policy decisions. To ensure that the agency is as responsive as possible, and in particular to increase its capacity to accommodate surges in demand for cost estimates and other analyses, CBO has recently shifted some of its existing resources. For example, the agency has reorganized the way it approaches various topics: Teams have been expanded so that more people are prepared to contribute to the work in certain areas of interest, such as immigration, health insurance coverage, nutrition programs, and veterans' programs. In addition, CBO has become more efficient in reporting the effects of intergovernmental and private-sector mandates and in providing administrative assistance. Those efficiencies have allowed the agency to increase the number of employees who focus on the type of analysis that is in persistently high demand—specifically, that dealing with

appropriation bills and legislation affecting health insurance coverage, nutrition programs, and natural resources. Finally, an editor is now dedicated to assisting with cost estimates, giving analysts and managers more time for other, technical aspects of the work.

**Question.** Does CBO conduct performance reviews? If so, how frequently? What metrics are used?

**Answer.** CBO uses a formal, written appraisal process that is designed to assess employees' performance fairly and regularly (generally once per year). Formal appraisals identify an employee's performance strengths and areas in need of improvement, establish performance goals for the upcoming year, and describe training and development that the employee should complete in the upcoming year. The appraisal is also used to evaluate how successful an employee has been in reaching goals established during the previous appraisal period.

Managers use the following criteria to evaluate employees' performance in the formal appraisal:

- Quality of work,
- Productivity and timeliness,
- Initiative,
- Written and oral communication skills, and
- Effectiveness of working relationships.

Those criteria are applied to the work of each division and to each position within the division.

The appraisal provides each employee with an overall performance rating of either "outstanding," "very good," "good," "needs improvement," or "unsatisfactory."

**Question.** Do current staffing levels contribute to delayed turn-around time on work products?

**Answer.** Despite its historically high productivity and dedicated staff, CBO expects that the number of cost estimates and other analyses the agency is able to produce will fall considerably short of the number of Congressional requests. The demands on the agency remain intense. For example, the workload associated with the analysis of appropriations continues to be heavy, and the Congress remains acutely interested in analyses of the Affordable Care Act and numerous proposals for changes to that law, to Medicaid, and to the Children's Health Insurance Program. Other issues arise frequently and create a heavy demand for analysis; for example, over the past year, CBO analyzed legislative proposals related to immigration, veterans' health, water rights, opioid abuse, education, and nutrition. Analyzing proposals has strained the agency's resources in many areas. To help allocate resources, CBO regularly consults with committees and Congressional leadership to ensure that those resources are dedicated to the work that is of highest priority to the Congress.

**Question.** Director Hall, your written testimony states that CBO has implemented more “teaming” arrangements to share work in certain high-demand areas. How are these teams structured to ensure efficiency and effectiveness?

**Answer.** CBO has recently made greater use of teams to handle surges in demand for analysis of particular issues, and the agency expects to rely on that approach more in the future. As part of that effort, CBO is expanding some analysts’ areas of specialization to intentionally create a degree of overlap in expertise. Consequently, more people are being trained to contribute to work in certain areas, such as immigration, health insurance coverage, nutrition programs, and veterans’ programs.

In many cases, teams with a broad range of skills are able to share work on large and complicated proposals. However, smaller teams consisting of just a few people are sometimes brought together to work on projects; in such cases, the ability of analysts to coordinate their efforts quickly allows the agency to be more responsive to the Congress. Teams often are cross-divisional, offering an excellent way for analysts in the agency’s Budget Analysis and Tax Analysis Divisions to work collaboratively with analysts in other divisions. In addition, teams often consist of employees with a wide range of experience, from junior analysts to senior managers.

**Question.** How and when does the agency decide whether to shift a junior analyst from one team to another?

**Answer.** Analysts have expertise or specialized skills in specific areas. That is true for both junior and senior analysts. Nonetheless, CBO’s staff sometimes shift from issue to issue in response to Congressional interest. Generally speaking, even when that occurs, staff members continue using their core skill sets. For example, some staff members are particularly adept at analyzing large data sets—a skill that is valuable across a wide range of analytical endeavors.

**Question.** Are CBO’s technical capabilities and tools all actually located in Ford or are they outsourced?

**Answer.** CBO has partnered with other legislative branch agencies to share common services and contracts, such as those involving financial management support, auditing, and communications. CBO also coordinates with its sister agencies to obtain some training. During monthly or quarterly meetings with various legislative branch working groups—such as the Chief Administrative Officer Council, the Chief Information Officer Council, and the Financial Management Council—attendees explore ways to increase efficiencies. For example, many agencies within the legislative branch, including CBO, recently moved their financial management systems to “the cloud,” which will be more economical. CBO also uses contracts negotiated by the Senate, the General Services Administration, and other agencies to obtain lower prices for goods and services.

Every year, during the development of its budget, CBO scrutinizes its arrangements with contractors to ensure that requirements remain valid and that goods and services are purchased in the most economical manner possible. For example, in recent years, the agency has eliminated certain costs in library operations by canceling underused subscriptions—both in hard copy and online. It has further reduced costs by negotiating with vendors to obtain the lowest possible price for subscription renewals. And, a few years ago, CBO eliminated library cataloging services. In addition, instead of hiring permanent personnel for support services, the agency has contracted for administrative support during peak periods.

**Question.** What could CBO do better to streamline its procedures?

**Answer.** CBO has become more efficient in reporting the effects of intergovernmental and private-sector mandates and in providing administrative assistance within the agency, which has allowed it to increase the number of employees who contribute to analysis that is in persistently high demand—specifically, that related to appropriation bills and to legislation affecting health insurance coverage, nutrition programs, and natural resources. And an editor is now dedicated to assisting with cost estimates, giving analysts and managers more time for other, technical aspects of the work. In addition, CBO is working to better synchronize the transfer of information between its macroeconomic models. The agency is also streamlining the production of PDF files of reports and the production of associated materials on CBO's website.

**Question.** Director Hall, you mentioned in your testimony CBO's desire to expand its ability to use more secure data on-site. What is CBO's current capacity to use secure data on-site? How does CBO use secure data when its storage capacity is constrained?

**Answer.** When CBO receives data from any executive branch agency, it must provide the same level of confidentiality as that agency. CBO has put in place strong electronic and physical security measures to protect health records, trade secrets, and tax and other financial information. However, to use certain data, CBO currently must travel to the executive branch agency that possesses the data. That process is cumbersome and inefficient. CBO could produce more analysis more quickly if it either had remote access to those data or could store them at the Ford House Office Building.

**Question.** How often is CBO precluded from incorporating secure data into its analysis because of capacity constraints?

**Answer.** CBO is not precluded from incorporating secure data into its analyses. In some cases, however, CBO's employees must travel to executive branch agencies to use certain data. Although that process is cumbersome and inefficient, CBO's analysts take those steps when it is necessary to answer a question posed by the Congress. If CBO's employees could access those data remotely or store the data at the Ford House Office Building, they could devote more time to producing other analyses.

**Question.** Director Hall, what percentage of your annual budget is used for the buying of data and research?

**Answer.** CBO spends roughly 1 percent of its annual budget to purchase data. In addition, the agency receives free data from other government agencies. CBO has roughly 30 active data-use agreements with those government entities. Although CBO does not contract for original research, the agency does engage consultants to provide insight into topics the agency is addressing.

**Question.** Could you please explain in more detail what types of data and research CBO is purchasing and the sources? For example, is CBO directly contracting for research on specific topics or instead purchasing the rights and access to high-quality, peer-reviewed research and data?

**Answer.** CBO purchases economic data from sources that have produced, collected, and packaged it for others' use. Those sources range from private companies to academic

institutions, as well as other government agencies. In addition, although CBO does not contract for original research, the agency regularly consults with numerous outside experts—academics, think tanks, industry groups, private-sector experts, federal agencies, and state and local governments—who represent a variety of perspectives.

**Question.** Director Hall, your written testimony states that CBO has taken care to give more explanations of changes in written estimates and to document more of the agency's analytic methods over the past year. What feedback has CBO received from implementing these changes?

**Answer.** CBO has informally solicited feedback from Members of Congress, Congressional staff, and the broader community—including news organizations, academia, and think tanks—and it has been encouraging. In addition, CBO has solicited input, via a short website survey, from Congressional staff and others in recent years about the presentation of the agency's work. That feedback was constructive and positive.

There are many ways to be transparent. All of them can be useful, but each comes with a different cost. Over the coming year, as the agency tests different approaches to ensuring transparency, it hopes to achieve a better understanding of the trade-offs associated with each approach.

**Question.** In your judgment, are there ways in which CBO could be more transparent with Congress? In what areas can transparency be increased?

**Answer.** CBO is working very hard to be more forthcoming and to release more information about its models and analytic methods to the Congress and the public. Nonetheless, being transparent has costs. The agency takes seriously its responsibility to produce reliable estimates and to be good stewards of public resources. CBO must, in essence, make business decisions that weigh the benefits and costs of devoting more resources to transparency.

As part of its ongoing efforts to ensure transparency, the agency has released new publications this year describing its processes for producing economic forecasts, budget baselines, and cost estimates. In addition, key staff members are making presentations to Congressional staff about those processes. Efforts currently under way include the following:

- In updating its simulation model of health insurance coverage, CBO will get systematic feedback from the research community by making presentations about different aspects of the model as they are developed. The agency will publish conceptual overviews and documentation of all parts of the completed model as well as more detailed information about key aspects of the modeling—including computer code.
- CBO will develop an interactive version of its model for projecting spending on discretionary programs. That interactive model will help researchers understand and replicate the methods that underlie roughly 40 percent of CBO's formal cost estimates.
- The agency will update elements of its long-term budget model and provide technical documentation and computer code explaining the updates.
- The agency will explore ways to provide publicly more supporting documentation that describes the methods used in producing baseline projections and cost estimates.
- CBO will provide information online that enables users to examine how a large variety of changes in baseline economic projections can affect projections of the federal budget.



- The agency will publish revised estimates of how certain changes to laws governing medical malpractice would affect medical spending, explaining the reasons behind revisions to the methodology used, documenting the model used to project how those changes to laws would affect medical costs, and making computer code for that model available.
- CBO will post on its website a tool for examining the costs of different military force structures (with different numbers of fighter squadrons and ships, for instance).
- The agency has released a working paper about CBO's model of the maximum sustainable output of the economy.<sup>2</sup> And, to help interested researchers replicate the agency's analytical results, it will release the computer code that generated the results discussed in that paper.

**Question.** A few dozen foreign countries have government fiscal agencies with roles similar to those of CBO. Have you explored their efforts at transparency and information accessibility?

**Answer.** CBO routinely explores how other agencies approach their work and reports the results of their analyses. In particular, CBO has shared ideas and experiences—pertaining both to transparency and to information accessibility—with staff at domestic and international agencies. For example, CBO sends a senior manager to the annual meeting of parliamentary budget officials, sponsored by the Organisation for Economic Co-operation and Development, where such topics are often a focus. As a result of those meetings, CBO has examined the approaches used by the United Kingdom's Office for Budget Responsibility to categorize the degree of uncertainty in their estimates, as well as approaches used by offices in New Zealand and Australia. As an example of such collaboration, Robert Chote, the Chairman of the U.K.'s Office for Budget Responsibility, visited CBO last year to discuss those issues. In addition, last fall, representatives of the Canadian Office of the Parliamentary Budget Officer visited CBO. And the agency has an ongoing relationship with Australia's Parliamentary Budget Office; for example, CBO has participated in two video conferences on issues of mutual interest, including the long-term budget outlook, uncertainty in estimating, and dynamic scoring. Also, the agency has an ongoing relationship with the European Parliamentary Research Service. Finally, CBO has been looking into the online interactives used by other agencies to help users assess the budgetary effects of illustrative policy proposals.

**Question.** CBO's cost estimates typically show only the changes in spending or revenue resulting from a reported bill; they do not show the baseline against which these changes are measured, or the net effect on total program spending if the legislation is enacted. Why does CBO present its cost estimates that way?

**Answer.** For authorization bills—those that authorize spending that would be subject to subsequent appropriation—CBO's cost estimates compare a bill's estimated costs with what would be spent under current law if the bill was not enacted. For virtually all discretionary programs, current law provides no funding after the current year. As a result, cost estimates show the effects on the budget relative to zero spending. A bill that would extend the authorization for an existing discretionary program would be shown as increasing spending subject to appropriation, even if the authorized funding was the same as the current year's appropriation. Similarly, a bill that would create a new program also would be shown as increasing

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2. See Robert Shackleton, *Estimating and Projecting Potential Output Using CBO's Forecasting Growth Model*, Working Paper 2018-03 (Congressional Budget Office, February 2018), [www.cbo.gov/publication/53558](http://www.cbo.gov/publication/53558).

spending subject to appropriation. To the maximum extent possible, CBO provides information about the most recent appropriation provided for affected programs.

For legislation that would affect mandatory (or direct) spending, CBO compares those estimated costs to the baseline, which also reflects current law (that is, the amount of spending that would occur for affected programs if the bill was not enacted). For mandatory programs, CBO provides, whenever possible, information about baseline levels of spending in its description of the basis of the estimate. CBO has used that approach with the goal of providing information in the clearest way possible. Nonetheless, feedback about what additional information would be useful to policymakers would influence how CBO describes such cost estimates in the future.

In both cases, estimates show the incremental change to the baseline and the net effect on total program spending if the legislation was enacted.

**Question.** There often is a trade-off between having the most technically informative products and having products that are easy to understand. How does CBO strike this balance?

**Answer.** CBO strives to be transparent, providing clear, concise explanations and detailing the key components of the basis of each analytical product. The overarching goal is to make information accessible by providing context, explaining technical terms, and effectively using tables and figures. CBO strives constantly to find more effective ways to be transparent. One approach that the agency has adopted is to provide technical appendixes, documentation of models, and other supplemental material along with its products.

**Question.** How does CBO decide to produce products that are not requested by Congress (e.g., blog posts, options books, and reports to the Congress on CBO's work)?

**Answer.** CBO's chief responsibility under the Congressional Budget Act of 1974 is to help the House and Senate Budget Committees with matters under their jurisdiction. CBO also supports other Congressional committees—particularly the Appropriations, Ways and Means, and Finance Committees—and Congressional leadership.

Every product CBO produces is requested by the Congress, is designed to help lawmakers understand products they have requested, or is created as part of a process that ensures CBO has the skills and expertise to produce such products. CBO produces a number of reports specified in statute, of which the best known is the annual *Budget and Economic Outlook*. Other CBO reports that are required by law or that are now produced regularly because of sustained interest from the Congress are described on CBO's website at [www.cbo.gov/about/products](http://www.cbo.gov/about/products).

In addition, CBO is required by law to produce a formal cost estimate for nearly every bill that is approved by a full committee of either the House or the Senate; the only exceptions are appropriation bills, which do not receive the same kind of formal written cost estimates but whose budgetary effects CBO estimates for the Appropriations Committees. CBO also produces formal cost estimates at other stages of the legislative process if requested to do so by a relevant committee or by Congressional leadership. Moreover, CBO produces informal cost estimates for a much larger number of legislative proposals—including some that Congressional committees consider during the process of developing legislation and some that receive consideration at other stages of the legislative process.

Beyond its regular reports and cost estimates, CBO prepares analytic reports at the request of Congressional leadership or of the Chairmen or Ranking Members of committees or



subcommittees. CBO's managers and analysts work with requesters and their staffs to understand the scope and nature of the work that would be most useful to the Congress.

**Question.** Which colleges and universities do you recruit from?

**Answer.** In addition to many other sources, CBO recruits from colleges and universities across the country. The agency specifically reaches out to over 350 colleges and universities through its contact management system. However, to more broadly promote job opportunities, CBO advertises open positions using systems such as USAJobs, Handshake, and the American Economic Association Job Openings for Economists, which have access to an even wider range of universities and therefore provide exposure to millions of students. The agency currently has staff members onboard whose final degrees came from more than 80 different universities.

**Question.** Are most of your staff recruited directly out of graduate school or do you recruit mid-career?

**Answer.** Recruitment strategies vary on the basis of the position CBO is seeking to fill and the skills and experience needed. Therefore, in hiring analysts, CBO seeks a mix of new graduates and midcareer professionals. In recent years, the mix has been approximately 45 percent of analysts straight out of graduate programs and the remaining 55 percent with professional experience. Roughly 80 percent of the agency's staff have advanced degrees. As expected, the entry-level assistant analysts are mostly recruited straight out of undergraduate programs. Because of the agency's small staff size, it routinely seeks midcareer professionals for other professional and administrative positions.

**Question.** How long do your analysts typically stay at CBO?

**Answer.** The average tenure for CBO analysts is just over 10 years.

**Question.** Has your staffing kept pace with the number of estimates you are required to produce?

**Answer.** CBO is grateful that the Congress has provided the resources and authorities needed to attract and retain highly educated and skilled employees. Even so, CBO's staffing levels have remained roughly the same over the years even as its workload has steadily increased. For example, the agency produced 485 formal cost estimates in 2012 and 740 formal cost estimates in 2017. In each of those years, CBO had roughly 235 employees. In addition, as legislation has grown more complex, CBO has found itself spending more time providing preliminary analyses and technical assistance when committees are drafting legislation.

**Question.** As more legislative proposals are being considered on the floor without going through the committee process, how does that affect your ability to produce cost estimates?

**Answer.** When bills go straight to the floor without going through committee markup, CBO usually has time to provide only informal feedback on the bill's potential impacts on mandatory spending and revenues (what are known as PAYGO effects). CBO provides that information to the Budget Committees, the Rules Committee, the Majority Leader's office, and the bill's sponsor.

CBO is generally notified at the end of each week about bills that will be considered in the following week on the floor under suspension of the rules (the procedure generally used on the House floor to act expeditiously on legislation) or that will be taken up by the Rules Committee. If those bills are ordered reported by an authorizing committee, CBO can often finish and provide a formal written estimate for the legislation before the bill is considered on the floor. But if the agency is not already working on the bill, it usually does not have the time to complete a formal estimate before floor consideration. Still, CBO endeavors to be helpful to the Congress by providing as much information as possible to assist with budget enforcement.

**Question.** It seems strange that CBO and JCT have similar responsibilities but are structured very differently. Can you summarize the differences between how CBO and the Joint Committee on Taxation are organized and governed?

**Answer.** Both CBO and the staff of the Joint Committee on Taxation provide the Congress with independent, objective information and analyses. And both organizations rely on experienced, nonpartisan professional staff who assist Members of the majority and minority parties in both Houses of Congress. One critical difference between the two agencies is that JCT focuses specifically on tax legislation, whereas CBO focuses on a much broader set of topics, ranging from health care to national security. Although both agencies provide support and analysis to leadership and Members of Congress developing active legislation, JCT was established primarily to be a resource for the House Committee on Ways and Means and the Senate Committee on Finance. By contrast, CBO was established to be a resource for all committees—primarily the Budget Committees, but others as well, including the Appropriations, Ways and Means, and Finance Committees.

*Responsibilities and Products.* Although the responsibilities of the two agencies are similar in that each provides information about the costs—and often other effects—of proposed legislation, there is a clear division of responsibility between them. Consistent with JCT’s original charter, and as reaffirmed in the Congressional Budget Act of 1974, the staff of JCT is specifically tasked with estimating the budgetary effects of *tax* legislation. By contrast, under the Congressional Budget Act, CBO has the responsibility of estimating the budgetary effects of *all other* legislation. In addition to estimating costs and the distribution of tax burdens, and providing other economic analysis, the staff of JCT has the following responsibilities: providing legal analysis of issues in tax law; assisting in the development of legislative language for changes to the Internal Revenue Code; providing technical advice at committee hearings and markups; assisting the House Committee on Ways and Means, the Senate Committee on Finance, and conference committees in the production of the legislative histories (committee reports) that accompany the legislation; and providing oversight of the administration of the Internal Revenue Code, including, in particular, reviewing all large proposed tax refunds. The Joint Committee staff regularly publishes economic and legal analyses related to the topics of hearings held by the House Committee on Ways and Means and the Senate Committee on Finance and reviews tax treaties for the Senate Foreign Relations Committee. In addition the Joint Committee staff publishes material describing its economic modeling.

CBO’s responsibilities are broader. As detailed on the agency’s website, at [www.cbo.gov/about/products](http://www.cbo.gov/about/products), CBO regularly publishes baseline projections of budgetary and economic outcomes that are based on the assumption that current laws regarding federal spending and revenues will generally remain in place. CBO provides formal, written estimates of the cost of virtually every bill approved by Congressional committees. (As discussed above, for legislation related to the Internal Revenue Code, CBO uses estimates provided by the staff of

the Joint Committee on Taxation.) In addition to formal, written estimates for bills approved by committees, CBO provides technical assistance as committees are considering what legislation to advance, as amendments to legislation are being debated, and at other stages in the legislative process. CBO issues a monthly analysis of federal spending and revenue totals for the previous month and the fiscal year to date. Periodically, CBO produces a reference volume examining numerous options for reducing budget deficits. The volume includes a wide range of options, derived from many sources, for reducing spending or increasing revenues. For each option, CBO presents an estimate of its effects on the budget and a discussion of its benefits and drawbacks but makes no recommendations.

CBO also prepares analytic reports that examine particular federal spending programs, aspects of the tax code, and budgetary and economic challenges. The reports cover many areas of federal policy, including health care, economic growth, social insurance, income security, taxes, energy, the environment, national security, financial issues, education, infrastructure, and more. In addition, CBO produces working papers that provide technical descriptions of the agency's official analyses and that represent independent research conducted by CBO's analysts. Through those papers, CBO aims to enhance the transparency of its work and to encourage external review of that work. Finally, to provide more detail about CBO's budget and economic projections and to add to the transparency of CBO's other analyses, the agency posts a considerable quantity of data and other technical information on its website.

*Organizational Structure.* Differences in the two agencies' structure largely reflect their different histories and the needs of the primary clients for their analyses. The Joint Committee on Taxation is a nonpartisan committee of the United States Congress, originally established under the Revenue Act of 1926. By custom, the Joint Committee is chaired on a rotating basis by the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee. During the first session of each Congress, the House has the Chair and the Senate has the vice-chair; during the second session, the roles are reversed. Also by custom, the responsibility for nominating a Chief of Staff rotates between the Chairs of the House Committee on Ways and Means and the Senate Committee on Finance, and consent of the nonnominating chair is obtained. There is not a fixed term of service for JCT's Chief of Staff. He or she serves at the pleasure of the Joint Committee members. Like CBO's staff, the staff of JCT is professional, highly skilled analytically, and nonpartisan. Because JCT was established to serve Members with issues of federal taxation, most of its work is undertaken for Members of the two tax-writing committees. Nevertheless, the staff of JCT serves all Members of Congress as an independent resource on issues related to tax policy, and the agency undertakes a significant amount of work for Members not on the House Ways and Means Committee or the Senate Finance Committee. In addition to work for individual Members, the staff of JCT devotes a significant amount of time to requests from House and Senate leadership, the House and Senate Budget Committees, and the Senate Foreign Relations Committee.

CBO was established under the Congressional Budget Act of 1974. Although CBO's primary duty and function is to help the Budget Committees with matters under their jurisdiction, CBO was established as an independent office to be a resource for all committees—including particularly the Appropriations, Ways and Means, and Finance Committees—and the leadership. The Speaker of the House of Representatives and the president pro tempore of the Senate jointly appoint the Director of the Congressional Budget Office after considering recommendations from the two Budget Committees. Directors are appointed for four-year terms, and they may be reappointed to the position; in addition, a Director serving at the

expiration of a term may continue to serve until his or her successor is appointed. The Congressional Budget Act of 1974 specifies that CBO's Director is to be chosen without regard to political affiliation and that all personnel of the office are to be appointed without regard to political affiliation and solely on the basis of their fitness to perform their duties.

CBO has an organizational structure that reflects the diversity of the topics that it needs to address. Specifically, CBO consists of eight divisions. The vast majority of personnel at CBO hold advanced degrees in economics or public policy and administration.

- The Budget Analysis Division produces baseline projections of federal spending, formal cost estimates for legislation approved by Congressional committees, and technical assistance for thousands of proposals that committees are considering.
- The Financial Analysis Division produces policy analyses focused on the financial commitments of the federal government and provides support throughout CBO for financial valuation and modeling and for projections of financial variables.
- The Health, Retirement, and Long-Term Analysis Division analyzes a range of federal programs and policies that include Medicare, Medicaid, subsidies provided through health insurance exchanges, and Social Security. The division is also responsible for CBO's long-term budget projections and collaborates on analyses of the long-term effects of proposed legislation.
- The Macroeconomic Analysis Division generates CBO's economic projections, which underlie the agency's budget projections. In addition, the division analyzes the short-term and longer-term effects on the overall economy of some proposed changes in federal tax and spending policies.
- The Microeconomic Studies Division analyzes federal programs related to education and income security; federal investment in physical infrastructure such as highways; and federal policy related to energy, natural resources, climate, and the environment.
- The National Security Division analyzes policy issues related to the defense budget, veterans' affairs, and homeland security.
- The Tax Analysis Division produces baseline projections of federal revenues (from individual income taxes, payroll taxes, corporate income taxes, and other sources) and formal cost estimates for legislation that changes revenues other than those that modify tax law. The division also analyzes the distribution of federal taxes and spending, and it examines how possible changes in tax law would affect the behavior of taxpayers and the overall economy.
- The Management, Business, and Information Services Division provides administrative and support services (ranging from information technology to editing) for CBO.

The staff of the Joint Committee on Taxation is smaller than that of CBO, approximately one-quarter the size, and its simpler organizational structure is a function of both its size and its mission. Roughly half of JCT's professional staff is composed of tax attorneys and accountants, and half consists of economists. Each staff member specializes in specific areas of the Internal Revenue Code, and lawyers, accountants, and economists work in fluid teams when analyzing tax legislation. Because tax legislation is often designed with the intent of providing incentives that would affect economic growth, one of the economic areas of specialization among JCT's staff is the macroeconomic analysis of tax policy. Since 1995, JCT's macroeconomists have developed enhanced tax sectors within macroeconomic models for the purpose of analyzing such effects.

**Question.** What do you think of proposals to combine the two institutions?

**Answer.** The two agencies have separate mandates. One crucial difference between the two agencies is that JCT focuses solely on tax legislation, whereas CBO focuses on a much broader set of issues, ranging from health care to national security. Although both agencies provide support and analysis to leadership and Members of Congress developing active legislation, JCT mainly assists the House Committee on Ways and Means and the Senate Committee on Finance. CBO, by contrast, was established to be a resource for all committees—primarily the Budget Committees, but others as well, including the Appropriations, Ways and Means, and Finance Committees.

In fulfilling their separate mandates, the two agencies are able to meet the needs of the Congress in ways that mesh very well. For example, CBO relies on estimates provided by JCT when preparing cost estimates that reflect the effects of changes to tax laws, and JCT estimates the effects of such changes relative to CBO's baseline projections of tax receipts. When there is overlap in the agencies' analysis—for instance, when legislation affects both spending and tax policies in interrelated ways—the agencies generally produce joint cost estimates. Although the two agencies have distinct responsibilities, there is some overlap in expertise, which allows them to share insights about each other's analyses. That collaboration is facilitated by the two agencies' physical proximity: Since 2015, most of the staff of JCT are located just one floor away from CBO in the Ford House Office Building.

However, creation of a single, larger entity could lead to the loss of the dexterity with which both agencies address Members' questions during the legislative process. The current separation yields some advantages that would be lost if the agencies were combined. For example, staff members at CBO must collectively possess wide-ranging expertise on a variety of issues related to fiscal and economic policy. Issues that CBO's staff must analyze range from health care to national security, labor, transportation, education, energy, Social Security, and macroeconomics. And CBO has to provide cost estimates to all Congressional committees, with the Budget Committees being the highest priority.

In contrast, the staff of JCT has deep expertise on a set of issues specifically related to tax policy. Unlike CBO's staff, nearly half of JCT's professional staff is composed of tax attorneys and accountants. As JCT states on its website, "The complexity of the tax laws places a high premium on objective technical advice. Because the Joint Committee is devoted solely to tax issues, its focus on fulfilling its statutory mandate is undiluted by the need to respond to other legislative pressures."<sup>3</sup> The complexity of the Internal Revenue Code—and the incentives it provides to individuals and businesses to discover legal avenues to reduce their tax burden—often requires that legal and accounting expertise, as well as economic analysis, be applied to the analysis of proposed tax legislation. Lawyers, accountants, and economists work with Members' staff and the staff of the House Committee on Ways and Means and of the Senate Committee on Finance to ensure that, to the greatest extent possible, the proposed statutory language accomplishes what is intended.

Also, the staff of JCT is closely involved in every aspect of the tax legislative process, in ways that CBO's staff is not. Among other things, the staff of JCT prepares hearing pamphlets, committee reports, and conference reports (statements of managers); assists in the drafting of statutory language; assists the Ways and Means and Finance Committees in their preparations for markups and during the markups themselves; assists Members of Congress in

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3. See [www.jct.gov/about-us/mandate.html](http://www.jct.gov/about-us/mandate.html).

addressing constituent issues and problems; reviews proposed large income tax refunds; and initiates investigations of various aspects of the federal tax system. Indeed, because JCT's mission is to assist Members in ways beyond the provision of revenue analysis and economic reports, only approximately half of JCT's professional staff is involved in economic modeling and revenue estimating. For that reason, JCT employs experienced tax attorneys and accountants in addition to economists.

**Question.** What criteria would you recommend Congress should use to judge CBO's performance?

**Answer.** CBO's mission is to serve the Congress. CBO primarily acts as a resource for the Budget Committees in order to support the budget process. More broadly, CBO's mission is to help the Congress make effective budget and economic policy. As the needs of the Congress evolve, the criteria by which CBO is judged evolve as well. Given CBO's current responsibilities, the Congress could consider judging the agency on whether its analysis, and the presentation of that analysis, is:

- Objective—representing not the personal opinions of CBO's staff but both the consensus and the diversity of views among experts from around the country;
- Insightful—applying the best new evidence and innovative ideas as well as the lessons of experience;
- Timely—responding as quickly as possible to the needs of the Congress; and
- Transparent and clearly explained—so that the underlying analysis is accessible (that is, explained in detail but with minimal use of jargon and technical language), enabling policymakers to understand the basis for the agency's findings and have the opportunity to question the analysis and methods used.

Precision, accuracy, completeness, and consistency are other important criteria. Because of the significant impact that CBO's work can have on the legislative process, *precision*—ensuring that the written words mean exactly what the agency intends and cannot easily be misinterpreted—is important. CBO's analysts pursue high quality and *accuracy*, with the goal of producing estimates that are in the middle of the distribution of potential outcomes. When possible, the agency compares its estimates to other experts' analyses. In addition, CBO regularly compares its estimates with actual outcomes, when available, to improve estimating methods. *Completeness* is also essential. In its reports, CBO tries to cover all of the important issues related to any particular topic and to explain and address the uncertainty inherent in projections of future outcomes. And ensuring *consistency* among products and over time—both in the underlying analysis and in its presentation—is critical to the credibility of CBO's work. For bodies of work on any number of topics, the agency attempts to identify and explain key changes in its findings and approaches that occur over time.



## Congressman Palmer

**Question.** Director Hall, as you know, CMS recently published guidance that provides new flexibility for states to create Medicaid work requirements. How would CBO assess the budgetary effects that result from this flexibility? I would like to formally request that your team produce an analysis that shows who might be subject to the work requirement by state. Additionally, I would like to request that CBO produce an analysis of different levels of a work requirement for Medicaid—with stricter and more relaxed requirements relative to what CBO believes will occur under the CMS guidance—and the budgetary effects of those scenarios, as well as who might be subject to the work requirement by state.

**Answer.** CBO expects that work requirements would reduce enrollment in Medicaid among people who were eligible for the program before implementation of those requirements and reduce federal costs of the program for those people. Earlier this year, four states received waivers to federal rules so that they could include such work requirements for some adults when determining eligibility for Medicaid, and eight other states have such waivers pending. The additional flexibility for states to create work requirements for Medicaid also tends to encourage the expansion of eligibility for the program in the future to people who are not currently eligible. However, enrollment in those states among people who became newly eligible because of the expansion would be lower than it otherwise would be if those states chose to adopt the expansion and not apply work requirements.

CBO's baseline projections of federal spending for Medicaid incorporate the effects of waivers—including work requirements—along with many other factors. The agency is closely monitoring the waiver application process to learn more about potential exemption criteria and documentation requirements, qualifying work activities, criteria for suspending eligibility when enrollees do not demonstrate that they are meeting the requirements, and other key details. Besides allowing work requirements, the waivers could substantially change Medicaid enrollment in other ways, such as allowing disenrollment and lock-out periods if beneficiaries failed to pay premiums. CBO is analyzing the potential effects of those other changes and their interaction with work requirements.

CBO is in the process of consulting with the Budget Committees, the committees with jurisdiction over Medicaid, and Congressional leadership to learn about their priorities to determine what work to turn to next. The extent to which the agency is able to provide additional analyses of work requirements will depend on how that work would fit with those priorities.